

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204**

February 22, 2008

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Kevin Boehnlein, Vice Chair
Matt Murphy
Bob Welch
Kathy Ettensohn-via phone

Board Members Absent

Ryan Kitchell

Others Present

Doug Kryscio, Mercer Investment Consulting
Curt Smith, Strategic Investment Solutions (SIS)
Rick Kinsley, Kinsley Group

PERF Staff Present

Terren Magid, Executive Director
Andrea Unzicker, General Counsel
Shawn Wischmeier, Chief Investment Officer
Patricia Bush, Chief Financial Officer
Jeff Hutson, Director of Outreach and Communications
Janell Gurney, Director of Human Resources
Sandra Wilson, Executive Assistant
Jeri Mains, Legal Assistant
Greg Davis, Director of Private Equity
Bryan Martin, Director of Alternative

Meeting called to order at 12:07 p.m. by Chairman Cochran.

I. Approval of Minutes

MOTION duly made and carried to approve the minutes from December 21, 2007 Board of Trustees meeting.

Proposed by: Matt Murphy
Seconded by: Kevin Boehnlein
Votes: 5 in favor, 0 opposed, 0 abstentions

II. New Business

• Legislative Update

Andrea Unzicker discussed the bills being considered by the Legislature as well as the potential impact on PERF. There are ten bills that may have an impact on PERF if enacted.

• Strategic Planning

Terren Magid discussed that the Board Governance Document provided for the creation of a strategic plan which is to be updated every three to five years and reviewed annually. Mr. Magid introduced Rick Kinsley, from the Kinsley Group, who has been hired to facilitate the strategic planning process. Mr. Kinsley reviewed the process and the steps to develop a strategic plan with the board.

• General Member Survey

Mr. Magid introduced Jeff Hutson, PERF Director of Communication and Outreach, to the board. Mr. Hutson reviewed the results of a recent PERF customer survey with the board. Mr. Hutson discussed the process and results specific to various services offered by PERF including PERF online, pre-retirement workshops and retirement counseling. Mr. Hutson reviewed customer satisfaction, general member satisfaction, plan familiarity and information needs, retirement preparedness and retirement planning. Highlights included a strong correlation of investment results and customer service with overall satisfaction, and 92% positive response rate to PERF being a trustworthy organization. The information discussed will help PERF address customer needs.

• Investments

Investments Update

Shawn Wischmeier introduced Doug Kryscio of Mercer to the board. Mr. Wischmeier and Mr. Kryscio provided the board with an investments update.

Investment Manager Recommendations

Mr. Wischmeier and Mr. Kryscio discussed the selection process related to hiring a mid cap value manager along with the background of Artisan Partners.

It is recommended that the board approve the use of Artisan Partners to manage a mid cap value mandate for Indiana PERF.

MOTION duly made and carried to approve the use of Artisan Partners to manage a mid cap value mandate for Indiana PERF.

<i>Proposed by:</i>	<i>Kevin Boehnlein</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

Mr. Wischmeier, joined by Mr. Kryscio, began the Investment Manager Discussion regarding the termination of investment management contracts for three public equity managers. After discussion of each manager, PERF and Mercer recommended the termination of the investment management contracts with Osprey Small and Large Cap Value, Hotchkiss & Wiley Large Cap Value, and Jacobs Levy Small Cap Growth.

First, PERF Staff and Mercer recommend that the board terminate the contract with Osprey Small Cap Value Fund and Osprey Large Cap Value Fund.

MOTION duly made and carried to terminate the contract with Osprey Large Cap Value Fund, Resolution No. 08-01.

<i>Proposed by:</i>	<i>Kevin Boehnlein</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

MOTION duly made and carried to terminate the contract with Osprey Small Cap Value, Resolution No. 08-02.

<i>Proposed by:</i>	<i>Kevin Boehnlein</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

Second, PERF Staff and Mercer recommend that the board terminate the contract with Hotchkiss & Wiley Large Cap Value Fund.

MOTION duly made and carried to terminate the contract with Hotchkiss & Wiley Large Cap Value Fund, Resolution No. 08-03.

<i>Proposed by:</i>	<i>Matt Murphy</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

Third, PERF Staff and Mercer recommend that the board terminate the contract with Jacobs Levy Small Cap Growth.

MOTION duly made and carried to terminate the contract with Jacobs Levy Small Cap Growth Fund, Resolution No. 08-04.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

Private Equity Recommendations

Mr. Wischmeier and Curt Smith presented six private equity investments for the board's consideration.

The first investment proposal is Actis Fund 3, LP. Actis is raising a \$2.5 billion fund that will make investments in emerging market opportunities. Actis is managed as a single firm, despite having deep, local teams in key markets, including: India, China, Africa, and Latin America. Actis is comprised of over 100 professionals across 14 offices, including 23 partners representing 17 nationalities. Fund 3 will continue with the same strategy of the previous funds, with focus on investing in high-growth countries that are amenable to private equity investments.

To date, Actis has made 95 investments with a total cost of \$1.4B, of which 60 investments representing \$638 million in cost, have been fully or partially realized, producing a 3.0x cash multiple and a 28.3% net IRR.

It is recommended that the board approve up to a \$30 million commitment to Actis Fund 3, LP pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to \$30 million to Actis Fund 3, LP pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The second investment proposal is Advent International GPE VI. Advent is raising a €5 billion fund that invests primarily in buyout and recapitalization opportunities in upper middle-market companies in Europe and North America. The firm will look to leverage the following competitive advantages: (i) its position as the most global mid-market buyout firm, (ii) long-established sector focused strategy with in-depth industry knowledge and relationships and (iii) significant operating resources and expertise to create value in portfolio companies.

Three of the five previous Advent GPE funds (I, IV, V) have generated top quartile returns as of September 30, 2007, with the two remaining funds (II, III) generating 2nd quartile returns. Advent GPE VI will continue with the same investment strategy as the five prior funds.

It is recommended that the board approve up to a €50 million commitment to Advent International GPE VI pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to €50 million to Advent International GPE VI pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Matt Murphy</i>
<i>Seconded by:</i>	<i>Kevin Boehnlein</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The third investment proposal is Ares Capital Opportunities Fund (ACOF) III. Ares is raising a \$4 billion fund that will seek to make investments in the range of \$100-400 million primarily in undercapitalized middle-market, U.S. based companies with strong franchises that have not fully exploited their growth potential.

Ares' two previous private equity funds have generated strong results with Fund I providing 2nd quartile returns and Fund II demonstrating top quartile performance as of September 30, 2007. Fund III will continue with the same investment strategy as the prior funds.

It is recommended that the board approve up to a \$50 million commitment to Ares Capital Opportunities Fund (ACOF) III pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to \$50 million to Ares Capital Opportunities Fund (ACOF) III pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Matt Murphy</i>
<i>Seconded by:</i>	<i>Bob Welch</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The fourth investment proposal is CVC V. CVC is raising an €11 billion fund that invests in upper middle market transactions in Europe where it seeks to generate long-term capital appreciation primarily by making control investments in management buyouts, buyins, acquisitions, recapitalizations, growth equity investments, structured financings and other related transactions.

The four previous CVC funds have generated top quartile returns as of June 30, 2007. CVC V will continue with the same investment strategy as the prior funds.

It is recommended that the board approve up to a €50 million commitment to CVC V pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to €50 million to CVC V pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The fifth investment proposal is to Lindsay Goldberg III. Lindsay Goldberg is raising a \$4 billion fund that makes control investments in established industries that grow by using buy and build techniques. Lindsay Goldberg will invest in market leaders in regions where it has proprietary access to investments.

The two previous funds have generated upper quartile returns as of September 30, 2007, and Fund III will continue with the same investment strategy as the prior funds.

It is recommended that the board approve up to \$100 million commitment to Lindsay Goldberg III pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to a \$100 million to Lindsay Goldberg III pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The sixth investment proposal is to Credit-Suisse Venture Capital Access Fund (Credit Suisse VCAF) and the Lehman Brothers Venture Capital Access Fund (Lehman Brothers VCAF) and the Lehman Brothers Venture Capital Access Fund (Lehman Brothers VCAF). Both groups are premier providers of fund of funds and have tremendous global access to top tier venture capital and growth equity firms. By utilizing both firms, PERF will have an increased opportunity to develop a portfolio of difficult to access venture-oriented funds primarily based in the US with a secondary focus on non-US funds. The funds will be committed over three one-year periods to ensure that each manager is allocating appropriate resources and providing sufficient access to strong funds.

Establishing a strong relationship with global leaders in private equity fund investments will provide staff with the ability to increase diversification while also introducing us to a talented manager base from which to select future direct investments. These investments support PERF's stated strategy of cultivating strong relationships with a core set of exceptional partners that we can grow with through multiple fund commitments. Both Credit Suisse and Lehman Brothers are existing relationships that will continue to support the development of the private equity program through expanded due diligence capabilities and access to top tier fund managers.

It is recommended that the board approve up to \$70 million per year for 3 years to be split between the Credit Suisse VCAF and the Lehman Brothers VCAF pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to \$70 million per year for 3 years to be split between the Credit Suisse VCAF and the Lehman Brothers VCAF pending final due diligence and document review by legal counsel.

Proposed by:
Seconded by:
Votes:

Matt Murphy
Bob Welch
5 in favor, 0 opposed, 0 abstentions

- **Finance & Budget**

Financial Update

Ms. Bush reviewed the November financial statements with the board. As of January 31, 2008, PERF net assets were \$16.3B representing a decrease of \$923.0 million (-5.4%) from June 30, 2007. The decrease was primarily due to negative investment returns in the market during the period.

III. Executive Director Report

Mr. Magid presented the performance management scorecard for purposes of measuring the Executive Director performance for Fiscal 2008. Mr. Magid also reviewed the organization scorecard and showed a video on PERF's customer service.

IV. Date of Next Meeting

April 18, 2008 at Noon

V. Adjournment

Adjourned at 3:58 p.m.